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PART 5 RE: The Empire's Practical Assistance and Guidance
Towards the New State of Manchuria and Mongolia. (Decided by the
Cabinet Conference, April 11, 1932)

The history of the establishment of the new states of Manchuria and Mongolia and their present conditions are in substance as mentioned in the other explanatory papers. But, in order to make the new state manifest the very characteristics that are important factors for the existence of the Empire in relation to politics, economy, national defense, transportation and communication, and to many other fields, according to Item I of the Outline of the Policy for the Disposition of the Manchurian and Mongolian Problems, which was decided at the Cabinet Conference of March 12 this year, it is necessary for the Empire to clarify the demands of the new state in connection with these general executions and, at the same time, to give the new state the practical assistance and guidance according to (a) of the Outline for the Disposition of Foreign Relations Accompanying the Establishment of the New State of Manchuria and Mongolia, which was decided by the Cabinet Conference on March 12.

And, as regards the immediate urgent problems of employment of the leaders pertinent to the financial administration of the new state and the problem of the means of transportation and communication, the following steps are expected to be taken:

1. In order to solidify the foundation of the state by establishing the financial and economic policies for the new state and to enhance its international confidence, and furthermore, to realize a single self-sufficient economic unit comprising Japan and Manchukuo by effecting a rational control over the industries of the two countries, authoritative leaders are required. Concerning the above, it will be properly executed through the following two measures after taking into consideration the demands of the new state and its missions towards the Empire and all other situations:

- (a) The new state shall employ authoritative advisers from our country and make them the highest advisers in connection with financial, economic and general political problems.
- (b) The new state shall appoint competent Japanese nationals to the leading posts in the Privy Council, the Central Bank, and other organs of the new state.

2. As regards the railroads and other means of transportation of the new state, we shall hold real power of management thereof in view of the national defense and economic requirements of the Empire and the new state. And as one of the concrete measures for carrying

the above into effect, one shall abide by the Principles for Dealing with the Railroads, Harbors and Rivers of Manchukuo mentioned in the other papers.

(For Reference)

1. The 1st paragraph, Outline of Principles for Dealing with the Manchurian and Mongolian Problem:

"As for Manchuria and Mongolia, we look forward to making these regions manifest under the assistance of the Empire the very characteristics that are important factors for the existence of the Empire in relation to politics, economy, national defense, transportation, communication and many other fields."

2. Outline of Principles for Dealing with Foreign Relations (A):

"Towards the new state, the Empire shall, instead of effecting immediate recognition based upon international public laws, give all kinds of assistance by taking suitable methods whenever possible, thereby gradually leading the new state to have the actual requisites of an independent state, and thus hasten the chances for international recognition in the future."

RE: The Progress of the Establishment and the Present Conditions of the New State of Manchukuo, etc.

1. The progress of the establishment of the new state.
2. The present conditions of the new state.
3. The urgent matters demanded by the new state.

The Progress of Establishment and the Present Conditions of the New State of Manchukuo

1. The progress of the establishment of the new state of Manchukuo, Manchuria, hitherto has been different from China Proper in human nature and in manners and customs and has been a region distinctive by itself from China Proper in history, economy, and also in politics. All such instances as that Chang Tso-lin established the other year an independent government both in name and reality, and Chang Hsueh-Liang still kept virtually the independent form of government even after his merger into the Nanking Government, were due to the peculiarity of Manchuria. But, upon the fall of the old Northeastern Government as the result of the Manchurian Incident which took place in September of last year, the hatred of the Manchurian

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general public, who had been suffering for so long a time from the tyrannical government of the military lords of Hsueh-Liang and his party, has gradually turned into a Manchurian independence movement centering around influential Chinese in Manchuria who had severed their connections with the old Northeastern Government and the Nanking Government. Finally, on February 18 this year, Chang Ching-hui, Tsang Shi-i, Hsi-Hsia, and Ma Chan-Shan, and other leaders organized the Northeastern Administrative Commission and declared in the name of 30,000,000 people the severance of relations with the Nanking Government and following that, they issued on March 1 the Declaration of the Establishment of the State in the name of the Manchukuo Government, and announced the policy of equal treatment of the Manchurians, Chinese, Mongolians, Japanese, Koreans and other races, both national and alien, succession of the obligations based upon international treaties, and the open-door policy.

Thus, the newly founded state of Manchukuo held in Changchun on March 9 the ceremony of the Emperor's assumption of office as Administrator and appointed the high officials of the government, and promulgated such fundamental law systems as the Regulations Concerning the Organization of the Government and of the Privy Council and the Guarantee of Human Rights Law. Thus it took the shape of a newly founded state and on March 12 it effected in the name of the Chief of the Foreign Department the formal notification of the foundation of the new state to the Empire and 17 other countries.

2. The present conditions of the new state. The new state has at present under the Administrator, besides the highest consultative body, i.e., the Privy Council, the Legislation Board, the Executive Board, the Inspection Board, and the Supreme Court. And to the Executive Board belong seven departments namely the Home Affairs Department, the Foreign Affairs Department, the Military Administration Department, the Finance Department, the Industry Department, the Transportation and Communication Department and the Justice Department and each Chief of Department is assumed by a Manchurian, but to the posts of responsibility of each Department are appointed a reasonable number of Japanese as officials.

(a) Organization of the State.

The major laws and ordinances promulgated as the fundamental laws for the organization of Manchukuo are as follows:

The Guarantee of Human Rights
The Organization of the Government Law
The Regulations for the Privy Council
The Regulations for the Executive Board
The Organization of the Inspection Board Law
(Refer to the Printed Appendix)

(b) The Governmental Organs

The organization of the Central Government of Manchukuo are mainly as aforesaid and the details are such as mentioned in the chart in the appendix.

The principal officials of the Central Government of Manchukuo are as follows: As for the necessary personnel, the number of the higher officials is scheduled to be seven or eight hundred, of which about ten per cent, i.e., seventy or eighty are scheduled to be allotted among the Japanese. And at present, it seems about two or three hundred Manchurians and about seventy Japanese have already been appointed.

LIST OF THE PRINCIPAL OFFICIALS OF THE
CENTRAL GOVERNMENT OF MANCHUKUO
(Appointed March 7)

President of the Privy Council	Chang Ching-hui
Privy Councillor	Tang Yu-tsun
" "	Chang Hai-peng
" "	Yuan Chin-kai
" "	Kuo-i-fu
" "	Lo Chen-yu
Minister of the Executive Board	Cheng Hsiao-hsu
President of the Inspection Board	Yu Chung-han
President of the Legislation Board	Chao Hsin-po
Chief of the Home Affairs Dept., Executive Board	Tsang Shih-i
Chief of the Finance Dept., Executive Board	Hsi Hsia
Chief of the Foreign Affairs Dept., Executive Board	Hsieh Chieh-shih
Chief of the Industry Dept., Executive Board	Chang Yen-ching
Chief of the Justice Dept., Executive Board	Feng Han-ching
Chief of the Transportation and Communication Dept., Executive Board	Ting Chien-hsiu
Chief Aide-de-Camp	Chang Hai-peng
Governor of Mukden Province	Tsang Shih-i
Governor of Kilin Province	Hsi-Hsia
Governor of Heilungkiang Province	Ma Chan-shan

The offices to which the new state are to appoint Japanese officials are as follows: (including the pending appointments)

	<u>Number</u>
The Privy Council, Councillor	3
The Privy Council, Chief Secretary	1

	<u>Number</u>
The General Affairs Bureau, the Executive Board	
Chief	1
The Secretariat, the Executive Board	
Chief	1
The Personnel Affairs Section, the Executive Board	
Chief	1
The Account Section, the Executive Board	
Chief	1
The Supplies Section, the Executive Board	
Chief	1
The Police Section, the Home Affairs Dept., the Executive Board	
Chief	1
The Metropolitan Police Section, the Executive Board	
Adviser	1
The General Affairs Section, the Foreign Affairs Dept., the Executive Board	
Chief	1
The Military Administration Dept., the Executive Board	
Adviser (increased)	1
The Financial Section, the Executive Board	
Chief	1
The Revenue Office, the Executive Board	
Chief	1
The Economy Office, the Executive Board	
Chief	1

	<u>Number</u>
The Revenue Superintendent Office, the Executive Board	
Chief	1
The Home Revenue Offices, the Executive Board	
Chief	15
The Customs Houses, the Executive Board	
Chief	6
The Salt-Work Offices, the Executive Board	
Chief	4
The General Affairs Section, the Industry Dept., the Executive Board	
Chief	1
The General Affairs Section, the Transportation Dept., the Executive Board	
Chief	1
The Auditors, the Inspection Board	2
The Inspectors, the Inspection Board	2
The General Affairs Section, the Justice Dept.	
Chief	1
The Legal Section, the Justice Dept.	
Chief	1
Chiefs of the Sections of each Provincial Office	8
Besides those:	
Vice-President of the Central Bank	1
Director of the Central Bank	1
The Section Chiefs of the Head Office of the Central Bank	8
The Managers of the Branch Offices of the Central Bank	8

(c) Finance and banking

In order to establish a solid financial foundation, the Manchukuo Government is now making effort in observing the budget, in arranging the tax-collection offices, and in controlling smuggling. And also, in order to establish a solid foundation for a money market by unifying the disorderly currency system, the Government wishes to establish the central bank, for which it asked our country the other day for financial assistance.

(d) Treaties and foreign obligations

On March 12, the Government declared in the name of Hsieh Chieh-shi, Chief of the Foreign Affairs Dept., that it should succeed all the existing treaties and foreign obligations.

(e) Tariff and salt-duty

As for the maritime-tax, the Manchukuo Government created customs houses against China on the principle of tariff autonomy and also now is carrying on negotiations with the Director General of Customs of the Nanking Government on the policy of following the existing system.

As for salt, it is, under the army's direction, being dealt gradually on the policy of controlling smuggling and making for smooth distribution and avoiding infringement on foreign credits concerning the salt duty.

(f) Transportation and communication

As for foreign mail and telegram, the Government is continuing the established practices based on the treaties, and as for the inland communication, it was disorganized for some time after the Incident, but with the efforts of the authorities of Japan and Manchukuo, its normal conditions, as a whole, is being restored.

As for air transportation, the Japan Air Transportation Company is entrusted under the administration of the army to link important points of the country.

Explanation concerning the railroads is omitted.

3. The urgent matters demanded by the new state

It is only recently that the new state was founded, and the various phases of administration are not yet under way and quite some assistance or guidance of the Empire are needed. Especially for such matters as mentioned here, urgent steps are necessary to be taken. Besides these there will be many matters for the Empire to do, such as effecting real assistance and guidance one after another by clarifying

the demands of the new state in the future.

(a) It is obvious that the new state requires the Empire's assistance and guidance in various matters. But, before the Empire gives its full assistance, it is necessary to make as its prerequisite the entry and the guidance of the new state by competent and wise persons in the confidence of Japan. And concerning this, the new state has offered to employ Japanese in the Privy Council and in the Administrative Offices of the Central and local governments.

(b) The new state has not yet created the central organization of finance, which is most urgently needed. And the other general policies in finance and economy are not yet underway. The financial conditions are so difficult that the new state has proposed unofficially to our country for the loan of 200,000,000 to meet the urgent liabilities. With the progress in all sorts of constructions in the future, our assistance and guidance in finance and economy are necessary.

(c) Though the new state entrusts the Empire with its national defense, the police organization on the part of the new state for maintaining public order has not yet been carried out. This also needs our prompt assistance and guidance.

(d) The equipping of transportation and communication facilities in Manchuria is the urgent and most important matter from the standpoint of national defense, maintenance of public order of the new state and economic development of Manchuria. But, as the new state has not the real ability to manage and equip, it is necessary for us to assist and guide her. And concerning this, the new state has proposed to entrust our country with administration and management of transportation and communication facilities in Manchuria.